



April 27, 2005

Harry Stoller  
Illinois Commerce Commission

Dear Mr. Stoller:

The American Wind Energy Association appreciates this opportunity to file comments on the implementation plans presented at the second working group meeting for the Illinois Renewable Portfolio Standard ("RPS"). We were impressed by the thoughtfulness of the plans presented and highly encouraged by the general atmosphere of participation, cooperation, and eagerness to move forward with the process. There are a few specific issues on which we would like to clarify our position.

#### **Timeline**

AWEA believes that the Production Tax Credit (PTC) will be extended in early fall for at least one year. In order to take advantage of the significant economic benefits of the PTC by having projects on-line at the end of 2006, contracts will need to be in place by November 2005. The timeline for the tariff and RFPs should be planned accordingly. AWEA encourages conducting several of the next steps of the process in parallel with one another so as to ensure a tight timeline. In particular, all parties can begin the process now of developing solicitation parameters, standard form contracts, and tariffs so that they are ready for submission to the ICC shortly after the RPS order is issued.

#### **Resource Quantity and Spending Caps**

ComEd recommended capping the quantity of resources to be procured at the lesser of the target MWh and the amount of energy and/or RECs that can be procured. AWEA disagrees with this quantity cap, for utilities should be allowed to procure renewable energy beyond the target amount, as they may find renewable energy to be competitive and beneficial for its use as a hedge against volatile fuel prices or other reasons. The fact that Texas's RPS targets were consistently exceeded has been used as evidence of the tremendous success of the program, and Illinois should have the same opportunities for such demonstrated achievements. ComEd also proposed allowing no more than a 0.5% impact on bundled revenues from retail customers. AWEA agrees that there should be a reasonable limit to the cost of the renewables program. However, AWEA thinks that a more efficient method of capping costs could be implemented. A per MWh cap on REC costs has been used in other states to control spending on the RPS. This cap has been in the form of a per MWh penalty, whereby a utility pays no more than the alternative compliance payment to satisfy the RPS requirements.

### **Compliance**

AWEA believes that there needs to be an enforcement process in place to ensure that the renewable energy targets are met.

### **Competitive Bidding Process**

AWEA agrees that a competitive bidding process whereby the generators bid directly or through marketers is a sound approach.

### **Bid Requirements**

In several RFP processes around the country, low-priced bidders have won contracts with utilities and subsequently have been unable to deliver these projects. In order to avoid this problem of unrealistic project proposals, bidders should be required to post a bid bond, as was done in the REC procurement process conducted by the New York State Energy Research and Development Authority (NYSERDA) for New York.

### **Contract Length**

Contracts should have a minimum length of 10 years, with flexibility for more than ten years to provide opportunities to meet the needs of utilities. Prices are likely to decrease for longer contracts.

### **Regulatory Out**

ComEd proposed including a “regulatory out” clause in the contracts to protect against policy changes in future regulatory environments. Such clauses would be an unacceptable risk to renewable energy developers. Developers would not be able to finance a long-term contract with regulatory outs, thereby resulting in an unsuccessful RPS program.

### **Contract for Differences**

AWEA agrees with ComEd’s and Ameren’s proposals whereby a cost recovery rider passes through to retail customers the difference between fixed contract prices and PJM revenues/avoided costs.

### **Contract Approval**

AWEA agrees with ComEd that ICC approval of contracts is necessary to minimize risks to stakeholders. Approval of the RFP process is not necessary because we are not concerned about affiliate preferences in this solicitation. ICC approval of contracts rather

than a detailed RFP process allows the utility flexibility to procure electricity through a balance of the locations they need it, the expectations of locational marginal pricing, and the presence of adequate wind resources for the bidders to provide the energy. AWEA supports the approval of fair and reasonable contracts, and expects that some flexibility is needed by all parties to reach the best agreements.

**Conclusion**

AWEA is feeling very positive about the RPS process thus far and is happy that the various stakeholders that have been involved are generally on the same page. These collaborative efforts will undoubtedly lead to a renewable energy program that will be a great success for the state of Illinois.

Sincerely,

Mike Jacobs  
Deputy Policy Director

CC: Michelle Mishoe  
Illinois Commerce Commission